

## Message Text

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PAGE 01 MADRID 03971 231205Z  
ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 FRB-03 SP-02 EB-07 L-03

NSC-05 INR-07 CIAE-00 IGA-02 SS-15 /057 W

-----231453Z 004612 /43 L

R 231104Z MAY 77

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 402

INFO USMISSION OECD PARIS

C O N F I D E N T I A L MADRID 3971

E.O. 11652: GDS

TAGS: EFIN, SP

SUBJECT: SPANISH LOANS

REF: MADRID 3429 AND OECD PARIS 14804

1. THE SPANISH SEARCH FOR LOANS IS YIELDING MORE UNDERSIZE FRUITS. FOLLOWING ON THE HEELS OF THE 500-MILLION D-MARK LOAN (SEE MADRID 3429), THE KINGDOM OF SPAIN HAS NOW ARRANGED FOR A 125-MILLION SWISS FRANC BOND ISSUE FROM THE UNION OF SWISS BANKS (FIVE YEARS AT AN ANNOUNCED RATE OF 6.25 PERCENT). THE GOS IS ALSO PREDICTING SUCCESS IN ITS EFFORTS TO OBTAIN A YEN LOAN OF UNCERTAIN SIZE. THESE LOANS, AND RECENT SMALLER ONES, HAVE NOT BEEN ADEQUATE TO STEM THE CONTINUING DESCENT OF FOREIGN RESERVES AT A RATE OF JUST UNDER 100 MILLION DOLLARS A MONTH.

2. IT HAS BEEN REPORTED THAT DURING THE FIRST TWO MONTHS OF 1977 NEW SPANISH FOREIGN FINANCIAL INDEBTEDNESS AMOUNTED TO 715 MILLION DOLLARS. WELCOME AS THIS INFUSION IS, DEBT SERVICE WILL COST SPAIN 2.5 TO 3 BILLION DOLLARS THIS YEAR AND THE SPANISH CURRENT ACCOUNT DEFICIT IS NOT EXPECTED TO BE MUCH DIFFERENT THAN LAST YEAR'S 4.3 BILLION DOLLARS.

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ASSUMING THAT THE GOS WOULD LIKE TO LIMIT, IF POSSIBLE, ITS DRAWDOWN OF RESERVES TO ABOUT LAST YEAR'S ONE BILLION DOLLARS (ENDING THIS YEAR WITH 3.9 BILLION IN RESERVES), SPANISH ENTITIES MUST STILL OBTAIN NEW LOANS OF AT LEAST 3.5 OR 4 BILLION DOLLARS. WHETHER THIS IS POSSIBLE MAY BECOME CLEARER SOMETIME AFTER THE JUNE ELECTIONS. STABLER

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NNN

## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
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